

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7504

BILL NUMBER: SB 405

DATE PREPARED: Jan 5, 1999

BILL AMENDED:

SUBJECT: Computation of worker's compensation premiums.

FISCAL ANALYST: Brian Tabor

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FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: This bill requires the Department of Insurance to approve a system of schedule rating based on hours of exposure for premium rates for worker's compensation insurance. It also defines "hours of exposure" as worker hours that an employer's workers have been exposed to the hazards found within a particular business or industry classification.

Effective Date: July 1, 1999.

Explanation of State Expenditures: This bill would modify the computation of worker's compensation insurance premiums. The Department of Insurance would be directed to develop a system of schedule rating based not only on the job classification of a worker, but on the number of hours the worker is exposed to hazards. For example, a roofer is a high-risk job classification, yet an individual may spend half the working day on the ground, reducing the number of hours exposed to a particular hazard. The Department should not require any additional appropriations or resources as a result of this proposal.

Explanation of State Revenues:

Explanation of Local Expenditures: This bill would only affect insurance carriers and entities that purchase worker's compensation insurance. As the state and most local governments and school corporations are self-insured, the impact of this bill will not be great. For local units purchasing worker's compensation insurance, it is likely that the effect of this bill would be to lower the cost of insurance premiums, thereby reducing expenditures. A precise estimation of the impact of this proposal would require actuarial analysis once the system of schedule rating is developed.

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance.

Local Agencies Affected: Some local units and school corporations.

Information Sources: Katrina Clingerman, Policy Analyst, Worker's Compensation Board, (317) 233-3382.